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SUBJECT: REVISION: COLOMBIA-2009 INVESTMENT CLIMATE STATEMENT

REF: (A) 08 STATE 123907 (B) BOGOTA 157

11. This is a revised copy of the 2009 Colombia Investment Climate Statement (ref B). Please note minor changes in paragraphs 11 (Banking, Insurance and Telecommunications sections), 41, 48, 51 and 171. Post will submit text via email to EEB/IFD/OIA and include in the 2009 Country Commercial Guide as requested. [Note: Charts are omitted from cable due to formatting requirements.]

Openness to Foreign Investment

12. The Government of Colombia actively encourages foreign direct investment. In the early 1990s the country began an economic liberalization reform, which provided for national treatment of foreign investors, lifted controls on remittance of profits and capital, and allowed foreign investment in every sector except for defense, national security, and the processing and disposal of toxic, radioactive, or hazardous waste products. Foreign investment in television concessions and nationwide private television operators, radio broadcasting, movie production, maritime agencies, national airlines, and shipping companies is limited to minority stakes. Portfolio investment in financial, hydrocarbon, and mining sectors are subject to special regimes, such as investment registration and concession agreements with the Colombian government, but are not restricted in the amount of foreign capital permitted.

13. The Ministry of Trade, Industry, and Tourism formulates foreign investment policy in coordination with the Ministry of Finance and Public Credit, taking into account the guidelines of the Council on Economic and Social Policy (CONPES). The primary regulations governing foreign investment in Colombia are Law 9 of 1991, Decree 2080 of 2000, Resolutions 51, 52, and 53 of the CONPES and Resolution 21 of the Board of Directors of the Central Bank. Generally, foreign investors may participate in privatization of state-owned enterprises without restrictions. Colombia imposes the same investment restrictions on foreign investors that it does on national investors. A commercial presence in the country (defined as a registered place of business, a branch, or an agent) is a standard requirement for conducting business in Colombia. Foreign investors can participate without discrimination in government-subsidized research programs. In fact, most Colombian government research has been done in connection with foreign institutions.

14. Investment screening has been eliminated, and the registration requirements that still exist are generally just formalities. Under Decree 1844 of 2003, the type of investment, its ultimate destination, and the type of currency determines the registration requirements. Foreign investments must be registered with the Central Bank's foreign exchange office within three months of the transaction date to ensure repatriation of profits and remittances and to access official foreign exchange. All foreign investors, like domestic investors, must obtain a license from the Commission of Companies and register with the local Chamber of Commerce.

15. Since 2002, the Uribe administration has stepped up efforts to open the economy. Liberalization has progressed furthest in telecommunications, accounting/auditing, energy, and tourism, and to a lesser extent in legal services, insurance, distribution services, advertising, and data processing. Colombian law restricts the

movement of personnel in several professional areas, such as architecture, engineering, law, and construction. For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists can be foreign nationals. Nevertheless, attempts are underway to liberalize areas where restrictions remain in force.

¶6. Colombia has a comprehensive legal framework for business. Colombia's judicial system defines the legal rights of commercial entities, reviews regulatory enforcement procedures, and adjudicates contract disputes in the business community. The judicial framework includes the Council of State, the Constitutional Court, the Supreme Court of Justice, and the various departmental and district courts, which are also overseen for administrative matters by the Superior Judicial Council. The 1991 constitution provided the judiciary with greater administrative and financial independence from the executive branch. However, the judicial system remains hampered by procedural requirements, time-consuming practices, and corruption.

¶7. According to the United Nations Conference on Trade and Development (UNCTAD), a high level of legal instability arising from the frequent issuing of regulations and administrative rulings has impeded investment in Colombia. To address the issue, Colombia's congress passed Laws 962 and 963 in 2005. Law 962 simplified existing administrative procedures and provided for the review of new procedures. Law 963 offers investors the opportunity to enter into so-called "legal stability contracts" with the State. These contracts guarantee that the laws applicable to the investment at the time the investment is entered into will remain in effect for a period between three and 20 years, depending on the type and amount of the investment. The minimum dollar value of the investment must reach USD 1.2 million, and those seeking to benefit from this law are required to pay a fee based on the investment. The law benefits investments in manufacturing, agriculture, tourism, mining, petroleum, telecommunications, construction, electricity production and transmission, port and railroad development, and other activities approved by a special committee. Colombia's foreign direct investment legal framework also incorporates binding norms (Decisions 291 and 292) resulting from its membership in the Andean Community of Nations (CAN), the 1995 Treaty on Free Trade with Mexico and Venezuela (G-3 Treaty), and the 2006 Trade Complementarity Agreement with Chile.

¶8. In November 2006, the United States and Colombian Governments signed the U.S.-CTPA (United States-Colombia Trade Promotion Agreement). In June 2007, the U.S. and Colombia signed a protocol of amendment regarding labor, environment and intellectual property.

The Colombian Congress ratified the agreement and the protocol in ¶2007. The Colombian Constitutional Court certified the U.S.-CTPA as conforming to the Colombian Constitution in July 2008. The U.S.-CTPA was awaiting ratification in the U.S. Congress as of December 2008. The U.S.-CTPA will improve legal security and the investment environment, as well as eliminate tariffs and other barriers in goods and services trade between the United States and Colombia. The agreement grants investors the right to establish, acquire, and operate investments in Colombia on an equal footing with local investors and investors of other countries. It also provides U.S. investors in Colombia protections that foreign investors have under the U.S. legal system, including due process and the right to receive fair market value for property in the event of an expropriation. Protections for U.S. investments would be backed by a transparent and binding international arbitration mechanism. Investor-state arbitration would be available for breaches of investment agreements.

¶9. Currently, the ATPA as amended by the Andean Trade Preference and Drug Eradication Act (ATPDEA), provides duty-free entry of approximately 6,500 product categories from Colombia into the U.S. Previously excluded products such as vacuum-packed tuna fish and certain textile and apparel products now enjoy duty-free access to the U.S. market, conditioned on compliance with government requirements. The President can expand the list of included products with approval from an advisory committee and concurrence from the U.S. International Trade Commission. Goods must meet a value-added requirement of 35 percent, up to 15 percent of which may be accounted for by U.S. content in terms of cost or value. In October 2008, the U.S. Congress renewed ATPDEA benefits for Colombia through December 31, 2009.

¶10. Colombia exported goods worth USD 3.5 billion under ATPDEA in 2007. Total Colombian exports to the U.S. were USD 9.4 billion in 2007, up 8.6 percent compared to previous year. Colombian exports under the ATPDEA program during this period were 37 percent of total Colombian exports to the U.S. U.S. exports to Colombia totaled USD 8.4 billion in 2007.

¶11. The following sectors have been identified as having restrictions to foreign investment:

Accounting, Auditing and Data Processing: In order to practice in Colombia, providers of accounting services must register with the 'Central Accountants Board' ('Junta Central de Contadores'); have uninterrupted domicile in Colombia for at least three years prior to registry; and provide proof of accounting experience in Colombia of at least a year (Law 43 of 1990, Article 3).

No restrictions apply to services offered by consulting firms or individuals. A legal commercial presence is required to provide data processing and information services in Colombia.

Advertising, Radio and Television Services: For National Open Television and Nationwide Private Television Operators, only Colombian nationals or legal entities, organized as 'Public Corporations' ('Sociedades Anónimas- S.A.') may be granted concessions to provide open television services. Foreign Capital in any open television concession venture is limited to a maximum of 40 percent (Law 014 of 1991, article 37; Law 680 of 2001, articles 1 and 4; Law 335 of 1996, articles 13 and 24; Law 182 of 1995, articles 37, 47 and 48). The decision to offer new concessions for the provision of open national television is based on an economic needs test.

Open television programming is subject to the following restrictions: 70 percent of programming between 7:00 p.m. and 10:30 p.m. (Prime Time) must be nationally-produced; the rate is 50 percent of programming broadcast between 10:30 p.m. and midnight, as well as between 10:00 a.m. and 7:00 p.m. There are no local-content requirements for advertising on Colombian open television, but the National Television Commission charges foreign-made ads double the national rate for airtime.

Foreign investors must be actively engaged in television operations in their country of origin in order to participate in programming activities in Colombia (Law 182 of 95 and Law 375 of 1996). Television, radio broadcasting, movie production, and movie reproduction fall under national-treatment limits.

A maximum of ten percent foreign participation in local TV productions is allowed and the participation of foreign artists in local TV productions is dependent upon reciprocity requirements. National TV programs can be directed by foreign directors, in which case the screen writers and starring actors must be Colombian nationals (if the director is Colombian then some writers and/or starring actors may be foreign nationals).

Regional television services may only be provided by State-owned entities, while regional and local television operators are compelled to have their broadcasting consist of at least 50 percent nationally-produced content. Community television services may only be provided by organized communities, legally constituted in Colombia as foundations, cooperatives, associations or corporations, subject to civil law. (Law 182 of 1995, article 37).

Only Colombian nationals or legally constituted legal entities may offer subscription-based television services, who must offer Colombia's national, regional and municipal open-television channels at no extra cost to subscribers (Law 680 of 2001, articles 4 and 11; Law 182 of 1995, article 42; Law 335 of 1996, article 8). Satellite television service providers are only obliged to include within their basic programming, the broadcast of channels of public interest for the Colombian State. If non-satellite subscription service providers broadcast advertisements different from those of the original broadcast, they are subject to comply with the minimum percentage of nationally produced content established for open television concessions.

Concessions to provide radio broadcasting services can only be granted to Colombian nationals or private entities legally constituted in Colombia. (Law 80 of 1993, article 35; Decree 1447 of 1995, articles 7, 9, and 18). Foreign operators are limited by law to 25 percent ownership of radio broadcast programs.

Newspapers published in Colombia covering domestic politics must be directed and managed by Colombian nationals (Law 29 of 1994, article 13).

Banking: Foreign companies may own 100 percent of financial institutions in Colombia, but are required to obtain approval from the 'Financial Superintendence' ('Superintendencia Financiera') (Organic Statutes of the Financial System, article 88) before making a direct investment of 10 percent or more in any one entity. Portfolio investments used to acquire more than 5 percent of an entity also require authorization.

The use of foreign personnel in financial institutions is limited to administrators, legal representatives, and technicians. Foreign banks may establish a subsidiary or representation office in Colombia, but not a branch. All foreign and national banks, as well as foreign subsidiaries, must be constituted as 'Mercantile Public Corporations' ('Sociedades Econsmicas Mercantiles') or 'Cooperative Associations'.

Foreign banks must establish a local commercial presence and comply with the same capital and other requirements as local financial institutions. Colombian legislation limits the operation of banks and other financial institutions by separating fiduciary, investment banking, commercial loans, leasing, and insurance services from banking services. Current legislation (Law 389 of 1997) permits banking institutions to develop such activities in the same office/building, but the management of such services must be separate.

Banks operating in Colombia are subject to a minimum capital requirement, promulgated through Law 510 of 1999, Law 795 of 2003 and the 'Organic Statutes of the Financial System' (article 80); all of which grant the government the right to intervene in institutions that fail to meet minimum performance requirements. Institutions are also required to register with the Financial Institutions Guarantee Fund, FOGAFIN (an FDIC-equivalent).

Decree 2951 of 2004 establishes that foreign institutions must create a commercial presence if their promotions target Colombian residents. A banking relationship with a Colombian resident and a financial entity abroad is permitted if the relationship was initiated by the Colombian resident without any publicity or promotion in Colombia.

All portfolio investments of foreign capital in Colombia must be done through a Foreign Capital Investment Fund; all foreign investments, either new or additions, must be registered with the Central Bank (Banco de la Republica), along with the 'Currency

Exchange Declaration" (Decree 2080 of 2000, articles 26 and 27).

Customs Services: To engage in the following customs services, a person or his legally responsible representative must be domiciled in Colombia: customs intermediation, postal and courier services intermediation, merchandise warehousing, merchandise transportation under customs control, international cargo agent, 'Permanent Customs User' ('Usuario Aduanero Permanente') or 'High Frequency Exporter' ('Altamente Exportador'). (Decree 2685 of 1999, articles 74 and 76).

Electricity: Only companies legally constituted in Colombia prior to July 12, 1994 may engage in the simultaneous generation, distribution, and/or transmission of electricity (Law 143 of 1994, article 74).

Fishing: A foreign vessel may engage in fishing and related activities in Colombian territorial waters only through association with a Colombian company holding a valid fishing permit (Decree 2526 of 1991). If a ship's flag corresponds to a country with which Colombia has a complementary bilateral agreement, this agreement shall determine whether the association requirement applies. The

costs of fishing permits are greater for foreign flag vessels.

Hydrocarbons and Mining: In order to provide services directly associated to exploration and exploitation of minerals and hydrocarbons in Colombia, any legal entity constituted under the laws of another country must establish a branch, affiliate or subsidiary in Colombia, unless the service will be provided for less than one year (Law 685 of 2001, articles 19 and 20).

In 2003, the Colombian government separated regulatory responsibilities from Ecopetrol, the state owned oil company, and assigned them to the National Hydrocarbons Agency ('Agencia Nacional de Hidrocarburos' - ANH). The ANH administers Colombia's competitive process, allowing Ecopetrol to compete side-by-side with foreign firms for hydrocarbon contracts. Foreign companies may assume up to 100 percent of investment and risk activities in all exploration and production contracts. Oil companies may obtain the right to exploit fields for 30-years or until depleted, as well as extend previous association contracts.

A sliding-scale royalty rate on oil projects establishes a five percent royalty rate on the smallest oil fields and an upper limit of 30 percent on larger fields. The lower royalty rate encourages investments by small- and medium-sized operators, since more than 80 percent of Colombia's fields contain less than 50 million barrels. The reforms have helped to renew interest in Colombia's oil exploration sector, with the government signing a record 100 contracts in 2008.

Insurance: Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. Firms must have a local commercial presence to sell policies other than those for international travel or reinsurance. Colombia sets annual minimum capital requirements to establish an insurance company. Colombia denies market access to foreign marine insurers.

Legal: Provision of legal services is limited to those firms licensed under Colombian law. Foreign law firms can enter the market by forming joint ventures with local law firms.

Private Security and Surveillance Companies: Only those companies constituted under Colombian law as 'Limited Responsibility Societies' or 'Private Security and Surveillance Cooperatives' may provide security and surveillance services in Colombia; and their shareholders may only be Colombian nationals. Those companies constituted with foreign capital prior to February 11, 1994 cannot increase the share of foreign capital. Those constituted after that date, can only have Colombian nationals as shareholders (Decree 356 of 1994, articles 8, 12, 23 and 25).

Public Services: Any 'Domestic Public Services' company must be established as an 'Empresa de Servicios Publicos- ESP', domiciled in Colombia and legally constituted under Colombian law as a corporation (Law 142 of 1994, articles 1, 17, 18, 19 and 23). In this regard, the category 'public services' encompasses sewage and water works, waste disposal, electricity, gas and fuel distribution, public telephony and complementary activities (public long distance services and mobile telephony in rural areas). In granting licenses and concessions, any company, in which a local organized community has a majority stake, will be preferred above companies presenting equivalent proposals to provide public services for that community.

Special Air Services: Only Colombian nationals or legal entities domiciled in Colombia may offer special air services within Colombian territory; as well as own any airship registered to provide special air services (Commercial Code, Articles 1795 and 1864). Special Air Services include any non-transportation air services, such as aerial fire-fighting, sightseeing, surveying, etc.

Telecommunications: Only companies legally constituted in Colombia may be granted concessions to provide telecommunications services in Colombia (Law 671 of 2001, Decree 1616 of 2003, articles 13 and 16; Decree 2542 of 1997, article 2; Decree 2926 of 2005, article 2). Colombia currently permits 100 percent foreign ownership of telecommunication providers. However, in WTO negotiations, Colombia specifically prohibited "callback" services. Barriers to entry in telecommunications services include high license fees (USD 150

million for a long distance license), commercial presence requirements, and economic needs tests.

The Ministry of Communications may require an economic needs test for the approval of licenses in voice, facsimile, e-mail, and other value-added services. The parameters that determine "an economic needs test" are not clearly established in Colombian legislation. Colombia also maintains a system of cross subsidies where, for example, long-distance telephony subsidizes local telephony. Low (subsidized) prices of local telephony and high restrictive costs in the provision of long-distance telephony limit the entry of new competitors.

The U.S.-CTPA would liberalize the sector by prohibiting anti-competitive cross-subsidization, requiring transparent licensing procedures, ensuring interconnection at reasonable rates, and protecting the confidentiality of commercially sensitive information obtained as a result of interconnection arrangements. Under the U.S.-CTPA, U.S. firms will be able to lease lines from Colombian networks on non-discriminatory terms and re-sell telecommunications services of Colombian suppliers to build a customer base.

In August 2008, the National Television Commission (CNTV) chose the European (DVB-T system) standard for Land Digital Television (TDT); the TDT will be free and open, and may cover about 90 percent of the population. Separately, Colombia expects to open a public tender in early 2009 for the launch of a third private TV channel.

Transportation: Foreign companies can only provide multimodal freight services within or from Colombian territory if they have a domiciled agent or representative, legally responsible for its activities in Colombia. International cabotage companies can provide cabotage services "only when there is no national capacity to provide the service," according to Colombian law. Cargo reserve requirements in transport have been eliminated. However, the Ministry of Commerce reserves the right to impose restrictions on foreign vessels of those nations that impose reserve requirements on Colombian vessels. Trans-border transportation services are also restricted in Colombia.

Article 1458 of the Commercial Code of 1971 prohibits any foreign ownership interest in commercial ships licensed in Colombia. Article 1490 of the Commercial Code restricts the percentage of FDI in maritime entities to 30 percent, and Article 1426 restricts foreign ownership in national airline or shipping companies to 40 percent.

As for port services, the owners of a concession to provide port services must be legally constituted in Colombia as a 'Public Corporation' ('Sociedad Ansnima- S.A.') (Law 1 of 1991, articles 5.20 and 6). Only Colombian ships may provide port services within Colombian maritime jurisdiction; although vessels with foreign flags may provide those services if there are no Colombian-flag vessels capable of doing so (Decree 1423 of 1989, article 38).

Travel and Tourism Agencies: Foreigners must be domiciled in Colombia in order to provide travel and tourism agency services within the Country (Law 32 of 1990, article 5). This does not apply to the services provided by tour guides.

Waste Disposal Services: No foreign investment is allowed in activities associated with processing, disposition or disposal of toxic, dangerous or radioactive waste not produced in the country (Decree 2080 of 2000, article 6).

¶12. Other factors which may impact investment: Colombia's 1991 Constitution (articles 334 and 335), grants the Colombian State the power of 'economic intervention.' This power, which was initially developed through Law 550 of 1999 and extended through Law 922 of 2006, provided solutions similar to U.S. "Chapter 11" filings for companies with financial problems, which faced possible liquidation or bankruptcy. These laws were substituted by Law 1116 of 2006, which establishes the current 'Company Insolvency Regime' and replaced the company liquidation Law 222 of 1995.

¶13. Law 1116 of 2006 complements the strict regulations on companies imposed by restructuring agreements contemplated in Law 550 of 1999

(e.g., financial operations unrelated to the company's activity may not be performed without previous authorization from all the parties involved in the transactions); with requirements of more precise information with regard to the companies that decided to seek insolvency protection or undergo liquidation.

¶14. Law 1116 of 2006 also provides for 'Judicial Liquidation', which can be requested by a company's creditors, and replaces the forced auctioning of the company's assets for as low as 70 percent of their true value. Instead, inventories are valued, creditors rights are taken into account, and a either a direct sale takes place within two months or all assets are assigned to creditors based on their share of the company's liabilities. As of January 2008, COP 83,064 million (about 42 million USD) was the total amount of liabilities of the 33 companies filing for Law 1116.

¶15. Privatization regime: In recent years, Colombia has proceeded with the privatization of State-owned enterprises under Article 60 of the Constitution and Law No. 226 of 1995. This Law stipulates that the sale of the State holdings in an enterprise should be completed in two phases, the first for the "solidarity" sector (comprised of cooperatives and workers associations) and the second for the general public. During the first phase, special conditions with regard to term and credit have to be granted to the "solidarity" sector. In the second phase, the general public may participate, including foreign investors.

¶16. Colombia's main privatizations have concentrated in the electricity, mining, and hydrocarbons and financial sectors. In addition, the government has attached a high priority to encouraging private sector investment in roads, ports, electricity, and gas infrastructure concessions. Public-private partnerships are increasingly the government's favored option for infrastructure development.

¶17. In Colombia, municipal enterprises run many public utilities and infrastructure services. These municipal enterprises have sought to engage private sector investment through concessions. There are successful cases in roads (the urban transportation integrated system for the Pereira - Dosquebradas - La Virginia metropolitan area), water, sanitation, ports (Port of Cartagena), and electricity services (Empresas de Medelln). These kinds of partnerships have helped promote reforms and create an attractive environment for private national and foreign investment.

Conversion and Transfer Policies

¶18. No restrictions apply to transferring funds associated with foreign direct investment. However, foreign investment into Colombia must be registered with the Central Bank within three months of the transaction date to secure the right to repatriate capital and annual profits. If investments are registered, repatriation is permitted without any limits. The government permits full remittance of all net profits regardless of the type or amount of investment (previously limited to 100 percent of the registered capital). Recent tax reform eliminated the seven percent tax to profit remittances. There are no restrictions on the repatriation of revenues generated from 1) the sale or closure of a business, 2) a reduction of investment, or 3) transfer of a portfolio. Colombian law authorizes the government to restrict remittances in the event that international reserves fall below three months' worth of imports. Reserves have been well above that level for decades.

¶19. In 2005, the Colombian government attempted to stem speculative capital flows by mandating that foreign portfolio investment should remain in-country for at least one year. In 2007 the central bank replaced that mandate with a six-month deposit requirement for companies acquiring external loans. These measures were removed in ¶2008.

Expropriation and Compensation

¶20. Colombian law guarantees indemnification in expropriation cases. The Colombian Constitution guarantees the rights of property that has been legally acquired, although it does allow for assets to be

taken by eminent domain. Colombian law provides a right of appeal both on the basis of the decision itself and on the level of compensation. However, the constitution does not specify how to proceed in compensation cases, which remains a concern for foreign investors. The Colombian government has sought to resolve such concerns through the negotiation of bilateral investment treaties and strong investment chapters of free trade agreements, such as the U.S.-CTPA.

Dispute Settlement

¶21. Law 315 of 1996 authorizes the inclusion of an international binding arbitration clause in contracts between foreign investors and the GOC, and Decree 1818 of 1998 allows for alternative dispute resolution. The law allows contracting parties to agree to submit disputes to international arbitration, provided that the parties are domiciled in different countries, the place of arbitration agreed by the parties is a country other than the one where they are domiciled, the subject matter of the arbitration involves the interests of more than one country, and the dispute has a direct impact on international trade. The law allows the parties to set their own arbitration terms including location, procedures, and the nationality of rules and arbiters. International arbitration is not allowed for the settlement of investor-state disputes arising from the Legal Stability Contracts (Law 963/05, mentioned above), even for foreign investors.

¶22. Foreign investors have found the arbitration process in Colombia complex and dilatory, especially with regard to enforcement of awards. Despite Colombia's commitment to international arbitral conventions and its domestic legal framework for arbitration and resolution of disputes, foreign companies continue to endure lengthy dispute settlement processes. Colombia is a member of the New York Convention on Investment Disputes, the International Center for the Settlement of Investment Disputes (ICSID), and the Multilateral Investment Guarantee Agency (MIGA).

Performance Requirements and Incentives

¶23. There are no performance requirements explicitly applicable to FDI entry and establishment. However, there are export incentives relating to the operation of special or free zones.

¶24. Incentives: In 2002, Colombia accepted the WTO Committee on Subsidies and Countervailing Measures' decision to phase out all export subsidies in free trade zones by December 31, 2006. However, free trade zones and special import-export zones maintain their special customs and foreign exchange regimes. In 2005, the GOC issued Law 1004 which imposed a 15 percent income tax on free zones (lower than the normal 33 percent tax) after December 31, 2006.

¶25. Since 1983, Colombia has had in place a trade promotion mechanism known as CERTs ('Tax Rebate Certificate'), which was initially conceived to help in promoting exports but was later transformed into an instrument to counter the negative effects of exchange rate fluctuations on exporters' cash flows. CERTs are freely negotiable instruments issued by Colombia's Central Bank (Banco de la Republica- BanRep), whose purpose is to reimburse sums equivalent to the full or partial tax payments made by an exporter; CERTs can be used for the payment of income taxes, customs duties, VAT, or other form of taxes or contributions. Since its inception, the government was free to establish the percentage of the exported FOB value that it would credit to an exporter under the CERTs mechanism, ranging, for example, from 12 percent in 1985, to 0 percent in 2002, to 4 percent in 2007 and 2008. The government also has the discretion to determine which product section headings and subheadings are eligible to apply for CERTs. Exports to Andean Community, Panama, Aruba, Bonaire, and Curacao are excluded from the program.

¶26. In 2002, the CERTs program was suspended, due to the incompatibility of the high rates of reimbursement with Colombia's WTO commitments, as well as the program's high cost to the government, estimated at approximately USD 120 million at the time of suspension. The program was reactivated in June 2007, in reaction to the impact of Colombian peso's appreciation on

exporters' revenues. CERTs were set at 4 percent to support textiles, clothing, shoes, leather manufacturing, plastics, foods, graphic arts, autoparts, furniture and jewelry industries. From 2007-2008 the GOC opened 8 CERTS tranches, making payments that amounted to approximately USD 185 million up to the first semester of 2008 and authorized an additional USD 25 million for the second half of 2008.

¶27. The flower-exporting sector in Colombia has benefited from four incentive/subsidy programs since 2005, which amount to approximately USD 210 million. In general terms, these programs reward producers either for hedging their exports, implementing sanitary programs, maintaining their workforce or for obtaining credits to support their activities. The Exchange Rate Hedge Incentive ('Incentivo de Cobertura Cambiaria'- ICC) was created in 2004 to counter the negative effects of peso appreciation on exporters' cash flows by paying beneficiaries an amount equal to approximately ten percent of FOB exports hedged against exchange rate fluctuation. The Sanitary Measures Incentive ('Incentivo Sanitario Flores y Follaje'- ISFF) was started in 2007 as a direct subsidy to improve phytosanitary conditions and protect employment by paying producers approximately USD 3,514 for every hectare of cultivated flowers that fulfilled the 'Integral Plague Management Plan' as long as they provided proof of retention of at least 80 percent of their workforce. The Salary Protection Program for Producers of Exportable Agricultural Goods 'Programa Protección Ingresos Productores de Bienes Agrícolas Exportables' was developed in 2008 to subsidize the purchase of hedging instruments by flower producers for up to 90 percent of their cost. Finally, the 'Special Credit Line for Exporters' subsidizes part of agricultural exporters' interests derived from banking credits and fully guarantees the liabilities undertaken through the program.

¶28. In January 2007, the Ministry of Agriculture (MOA) started the 'Agriculture Guaranteed Income Fund' ('Agro Ingreso Seguro- AIS') with the aim of protecting local producers, as well as to improve the overall competitiveness of the agricultural sector. Four main programs constitute the AIS: 1) a special credit line to finance investments by all agricultural producers interested in modernizing and increasing their competitiveness, which guarantees an interest rate of DTF (Colombia's reference term-deposit savings rate) minus 2 percent, for up to fifteen years; 2) the 'Rural Capitalization Incentive' ('Incentivo a la Capitalización Rural- ICR'), through which discounts are granted for credits issued to undertake new investments in infrastructure construction, acquisition of machinery and equipment, and water resource management, among others; 3) the 'Irrigation and Drainage Program' ('Convocatoria Pública de Riego y Drenaje'), through which up to 80 percent of the costs of all projects destined to improve water resource management is covered by the MOA; and 4) the 'Technical Assistance Incentive' ('Incentivo a la Asistencia Técnica'), which seeks to cover up to 80 percent of all technical assistance costs incurred by agricultural producers in project and credit structuring, good practices implementation, adequate sanitary and phytosanitary management, and post-harvest management. For 2007, the total amount of leveraged credit through AIS resources was approximately USD 160 million, 127 percent of the goal. For 2008, as of November 30, the total amount of resources amounted to approximately USD 246 million, 472 percent of the goal (<http://www.sigob.gov.co/ind/indicadores.aspx ?m=532>).

¶29. Export credit: The foreign trade bank (BANCOLDEX) provides funds for working capital and equipment purchases dedicated to the production of exported goods. BANCOLDEX also provides discount loan rates to foreign importers of Colombian goods.

¶30. Import Licenses: All imports must be registered, and a small percentage requires prior import licenses. The "Registro de Importación" required for all imports is for record keeping/statistical purposes and are available at the Ministry of Foreign Trade and online. Import licenses apply to closely monitored, sensitive products such as precursor chemicals and weaponry.

¶31. Colombia imposes discretionary import licensing to ban imports of powder milk and poultry parts. The Colombian Government also has local purchase requirements for rice, yellow corn, white corn, and cotton. The U.S.-CTPA would reduce or eliminate these requirements for U.S. exports.

¶32. Most used goods, such as personal computers, cars, tires, and clothing, are effectively prohibited from import, and those allowed (e.g., used medical equipment) are subject to prior licensing.

¶33. Promotion: PROEXPORT is the Government's foreign investment, tourism and export promotion agency. It provides information on market access and business opportunities and organizes international trade shows and missions. During the last few years, PROEXPORT has been making efforts to diversify Colombian exports, which have been traditionally concentrated in coffee, petroleum, coal, and flowers. PROEXPORT is similar to the United State Foreign Commercial Service in that it provides planning and training strategies for medium and small companies to overcome obstacles of exporting goods and services. There are 14 PROEXPORT offices and four commercial representatives abroad, as well as eight regional offices in Colombia. These offices attend and organize events, fairs, and provide commercial guides to enter foreign markets.

¶34. Taxes: The main types of tax incentives offered include preferential import tariffs, tax exemptions, and credit or risk capital from the government. Examples of tax incentives offered by the Colombian Government include the deductibility of income from new investments in the cultivation of fruits, anchovies, rubber, and cacao and in environmental enhancements and controls once these investments are accredited by the environmental authority. Some fiscal incentives are available for investments that generate new employment or production in areas impacted by natural disasters.

¶35. Tax and fiscal incentives are often based on regional considerations. For example, border areas have certain protections because currency movements in neighboring countries can severely harm local economies. Likewise, export-oriented companies and other industrial firms are provided fiscal and tax incentives where the general reduction in tariffs have hurt their businesses. Local governments also offer special incentives such as tax holidays to attract industry from other areas. Most applications for fiscal incentives are made directly to the agency involved. Tax incentives do not require special application, companies need only to qualify under the rules indicated in the process of filing a tax return.

¶36. Colombia also has numerous incentives that are not export-related. Decree 2755 of 2003 provides tax holidays for approved projects or for desired outcomes in many industries including software development, electric energy sales generated from wind resources, biomass, or agricultural waste, forestry use of new plantations, investment in sawmills related to such plantations, and planting of wood-use trees, hydrocarbon seismic services, infrastructure and sale of properties dedicated to the public interest, pharmaceutical exploitation of new medicinal products, public utilities, water, electricity, local telecommunications, natural gas, tourism services in new hotels built between 2003 and 2018, and shallow draft river transportation.

¶37. Service Barriers: As mentioned above, the provision of legal services is limited to law firms licensed under Colombian law. Foreign law firms can operate in Colombia only by forming a joint venture with a Colombian law firm and operating under the licenses of the Colombian lawyers in the firm. Colombia permits 100 percent foreign ownership of insurance firm subsidiaries. Insurance companies must maintain a commercial presence in order to sell policies other than those for international travel or reinsurance. Economic needs tests are required when foreign providers of professional services operate temporarily in Colombia. Moreover, residency requirements restrict trans-border trade of certain professional services, such as accounting, bookkeeping, auditing, architecture, engineering, urban planning, and medical and dental services. For firms with more than ten employees, no more than ten percent of the general workforce and 20 percent of specialists may be foreign nationals. Companies seeking to sell information provision services must establish a commercial presence in Colombia. Foreign educational institutions must have resident status in Colombia in order to receive operational authority from the Ministry of Education.

¶38. Tariff Barriers: Many customs duties and most non-tariff barriers have been eliminated. The U.S.-CTPA will dismantle remaining barriers upon entry into force or after a brief transition

period. Most duties have been consolidated into three tariff levels: Level 1 - zero to five percent for capital goods, industrial goods and raw materials not produced in Colombia; Level 2 - ten percent on manufactured goods with some exceptions; Level 3 - 15 to 20 percent on consumer and "sensitive" goods.

¶39. Exceptions include automobiles (35 percent duty) and many agricultural products, which are subject to a variable "price-band" import duty system. When international prices surpass the price-band ceiling, tariffs are reduced; when prices drop below the price-band floor, tariffs are raised. The price-band has affected local competitiveness and has dampened consumption via higher local prices. Andean Community variable duties have become an important barrier to imports of U.S. products into Colombia, but would be eliminated or mitigated in the U.S.-CTPA. Processed food imports from Chile and country members of the Andean Community (Peru, Ecuador, Bolivia, and Venezuela) enter duty-free.

Right to Private Ownership and Establishment

¶40. Colombia's Constitution explicitly protects individual rights against state actions and upholds the right to private property.

Protection of Property Rights

¶41. Piracy continues to threaten legitimate intellectual property markets in Colombia, which has been on the Special 301 "Watch List" every year since 1991. The registration and administration of intellectual property rights (industrial property and copyrights) in Colombia are carried out by three different government entities. The Superintendence of Industry and Commerce (SIC) acts as the Colombian patent and trademark office. The agency suffers from inadequate financing and personnel, a high turnover rate, and a large backlog of trademark and patent applications, which has led to a large number of appeals. The patent office at the Superintendence believes that the number of new patent and trademark applications (approximately 1,600 patent and 15,000 trademark requests per year) will double in the next two or three years. Although the SIC is making efforts to provide electronic registration services for patents, industrial designs, and trademarks, it still has important deficiencies, especially in personnel. The Colombian Agricultural Institute (ICA) is in charge of the issuance of plant variety protection and agro-chemical patents. The National Copyright Directorate is in charge of the issuance of literary copyrights. Each of these entities suffers from significant financial and technical resource constraints. Moreover, the lack of uniformity and consistency in IPR registration and oversight procedures limits the transparency and predictability of the IPR enforcement regime.

¶42. The U.S.-CTPA provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with both U.S. standards of protection and enforcement and with emerging international standards. Such improvements include state-of-the-art protections for digital products such as U.S. software, music, text, and videos, stronger protection for U.S. patents, trademarks, and test data, including an electronic system for the registration and maintenance of trademarks, and further deterrence of piracy and counterfeiting by criminalizing end-use piracy.

¶43. Copyrights: Optical disc piracy of music and film entertainment product is extensive. The publishing industry also suffers from widespread piracy, mostly in the form of illegal photocopying of academic textbooks in and around university and school campuses. Although Colombia has one of the lower software piracy rates in Latin America, piracy of both business and entertainment software continues to cause commercial harm to legitimate industry.

¶44. The Colombian Congress has taken steps to increase criminal penalties and criminalize the circumvention of technological protection measures. Unfortunately, the scope and frequency of law enforcement raids has not created a deterrent effect. Most pirated products are distributed through hundreds of stalls in flea markets.

¶45. Patents and Trademarks: The patent regime in Colombia currently

provides for a 20-year protection period for patents and ten-year term for industrial designs; protection is also provided for new plant varieties. However, U.S. companies have expressed concern that the GOC does not provide patent protection for new uses of previously known or patented products. In 2002, the GOC issued Decree 2085, which improved the protection of confidential data for pharmaceutical and agro-chemical products. Colombia is member of the Inter-American Convention for Trademark and Commercial Protection.

¶46. Enforcement: Since 1995, Colombia's National Anti-Piracy Campaign has raised public awareness, conducted training, and promoted consumer education. Law enforcement agencies cooperate with industry, but enforcement actions have concentrated in Bogot, Medelln, and Ccuta. When arrests are made and cases prosecuted there are often lengthy delays in processing cases.

¶47. In 2000, Colombia enacted fiscal enforcement legislation (Law No. 603) that requires Colombian corporations to include in their annual reports their compliance with copyright laws. The Superintendence of Companies has the authority to audit the company and penalize it in case of non-compliance. Any corporation that falsely certifies copyright compliance could face criminal prosecution. In addition, the legislation treats software piracy as a form of tax evasion and empowers the DIAN to inspect software licenses during routine tax inspections.

¶48. Legislation: Amendments to Colombia's 1982 copyright law have modernized the law, increased the level of criminal penalties for piracy, and expanded police authority to seize infringing product. Colombia has deposited its instruments of ratification for both the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

¶49. Colombia's criminal code includes copyright infringements as a crime with jail terms. In 2006, amendments to the Criminal Code increased the maximum prison term from five to eight years with a corresponding rise in the minimum term from two to four years. The code also contains provisions on the violation of technological protection measures and rights managements, both key obligations of the WIPO Treaties, but these violations are only punishable by fines.

Transparency of Regulatory System

¶50. Colombian legal and regulatory systems are generally transparent and consistent with international norms. The commercial code and freestanding laws incorporated by reference into the code cover such broad areas as banking and credit, bankruptcy/reorganization, business establishment/conduct, commercial contracts, credit, corporate organization, fiduciary obligations, insurance, industrial property, and real property law. The civil code, in addition to covering civil status, inheritance and other matters, also contains provisions relating to contracts, mortgages, liens, notary functions, and registries. In Colombia the tendency has been to address new areas of legal and regulatory reach (like e-commerce) through separate statutory enactments that extend integrated regulation to these new areas, rather than amending the various existing codes.

¶51. Enforcement mechanisms exist, but historically the judicial system has not taken an active role in adjudicating commercial cases. The 1991 Constitution provided the judiciary with greater administrative and financial independence from the executive branch, and Colombian courts have tended to behave more independently and unpredictably. Colombia has largely completed its transition to an oral accusatory system to make criminal investigations and trials more efficient. The new system separates the investigative functions assigned to the Office of the Attorney General from trial functions. Lack of coordination among government entities as well as insufficient resources complicate timely resolution of cases.

Efficient Capital Markets and Portfolio Investment

¶52. In Colombia, foreign investors are allowed to participate in the capital markets by negotiating and acquiring shares, obligatory

bonds convertible into shares, other bonds, and other securities listed by the Foreign Investment Statute. These activities must be conducted via a foreign investment capital fund, which must be administered by a local trust company or a stockbroker company that has been authorized to do so by the Financial Superintendence (Superfinanciera). These funds must be used for the exclusive purpose of initiating securities transactions in the Colombian securities markets. Foreign investment capital funds are not allowed to acquire ten percent or more of the total amount of a Colombian company's outstanding shares. For omnibus funds (i.e. funds constituted as collective accounts with an undivided participation over the institutional investor's net worth), the limitation applies to each subaccount.

¶53. Colombia's financial system is well developed by regional standards. Two private financial groups own almost one-half of all bank assets: the Sarmiento Group (Grupo Aval) control about one-quarter, and the Sindicato Antioqueño Group (Bancolombia) one-fifth. Foreign-owned banks also account for one-fifth of sector assets. In 2005, Colombia consolidated supervision of the banking and securities sectors under the Financial Superintendence. The Financial Superintendence oversees the four types of Colombian credit institutions: commercial banks which provide short- and medium-term lending for business and individuals, mortgage banks which finance housing construction projects and purchases, financial corporations (corporaciones financieras) which lend for long-term industrial projects, and commercial financing companies (compaas de financiamiento comercial) that finance the purchase of equipment and durable consumption goods through commercial loans or leasing. Non-credit financial institutions include private pension and severance funds, trust funds, stockbrokerage houses, and insurance companies.

¶54. As of October 2008, the estimated total assets of the country's main banks amounted to approximately USD 80 billion, according to the Financial Superintendence. Past-due loans accounted for 3.8 percent of the total portfolio, compared with 3.3 percent in November 2007. Banks' return on equity was 22 percent. The Colombian financial system registered profits of approximately USD 2.1 billion between January and October 2008.

¶55. The number of financial institutions in Colombia has fallen by almost half since the 1998-99 financial crisis, due to mergers and acquisitions. As a result, the new institutions have begun broadening their distribution structures and offering clients more flexible schedules and branch offices. The financial sector as a whole is investing in new methodologies for risk assessment and portfolio management.

¶56. Following the crisis of 1998-99, bailouts for failing banks were partially financed through a controversial tax on financial transactions. The tax was originally set at 0.002 percent but has since been increased to 0.004 percent. The tax on financial transactions is applied to all withdrawals from checking and savings accounts, including accounts with the Central Bank. Savings accounts for the purchase of low-income housing, transactions on the inter-bank market, and the sale or purchase of foreign currency are exempt from the tax. Electronic securities transactions, including stock market transactions, are also exempt from the tax.

¶57. Colombia's capital markets remain underdeveloped, but are growing. The principal source of long-term corporate and project finance are financial corporations and sometimes, commercial banks. However, loans with a maturity in excess of five years are scarce. Unofficial private lenders play a major role in meeting the working capital needs of small and medium-sized companies. Only the largest of Colombia's companies participate in the local stock or bond markets, with the majority meeting their financing needs through the banking system, by reinvesting their profits, and through suppliers' credit. Corporate bond issues have risen, but remain small and limited to blue-chip companies. Institutional investors, particularly private pension funds that mobilize the largest share of national savings (accounting for nine percent of GDP), concentrate their holdings in government paper and AAA-rated commercial paper. In February 2008, the Financial Superintendence issued a regulation (Circular 005), which increased the amount of a pension fund portfolio that can be invested in stocks to 40 percent. In 2001, stock exchanges in Bogotá, Cali and Medellín were merged

to create the Bolsa de Valores Colombia (BVC), located in Bogota. The BVC is regulated by the Financial Superintendence, which oversees market intermediaries, brokers' fees, and financial disclosures of listed companies.

¶58. The Capital markets legislation enacted in 2005 has helped to deepen the capital markets through improved corporate governance, protection of the rights of minority shareholders, and more transparent information standards. Market capitalization has risen from \$14.1 billion US in 2003 (equivalent to 16 percent of GDP), to \$77.3 billion US (49 percent of GDP) in 2008.

Political Violence

¶59. Violence, including political violence, has diminished dramatically in recent years. Government of Colombia figures show the number of homicides in Colombia from January through November 2008 (14,928) was the lowest in over 20 years, and that the number of kidnappings in the same period (389) was 21 percent lower than the number for 2007, and substantially less than the 2,882 kidnappings reported in 2002.

¶60. Most violence characterized as political is attributed to one of three terrorist groups, all of whom the U.S. has designated as Foreign Terrorist Organizations. Violence by these groups has also declined, as more of their members demobilize. From January to November 2008, 2,847 Revolutionary Armed Forces of Colombia (FARC) members and 365 National Liberation Army (ELN) members demobilized. In 2006, the United Self-Defense Forces (AUC) completed its demobilization of 32,000 former paramilitaries, and government reintegration programs are providing health, education, and psychological assistance to the demobilized.

¶61. The long-running internal conflict has caused significant population displacement. Between three and four million people (out of a population of 45 million) have been displaced since 1985. Displacements have averaged nearly 250,000 per year for the period 2003-2007. In 2008, Colombian assistance to IDPs increased to about USD 550 million US, a ten percent increase from the previous year.

Corruption

¶62. The government's Comptroller General estimates that corrupt activity drains USD 6 billion per year from Colombia's economy.

¶63. The local chapter of Transparency International (TI) has implemented a number of anti-corruption measures, including ethics and entrepreneurial programs in an effort to reverse these trends. The ethics program seeks to develop a managerial development tool for small and medium enterprises to promote ethical practices and transparency. The entrepreneurial program seeks to build a culture of ethics via leadership, entrepreneurial ethics training, and the creation of reporting and consulting systems. TI also created a program titled Integrity Islands, which consists of the mitigation of corruption risks in specific organizational processes.

¶64. From 2001 to 2006, USAID provided USD 15 million for anti-corruption programs. Since then, USAID has incorporated anti-corruption strategies in its rule of law, human rights, and governance programs. Activities supported include: promotion of local governments' transparency and accountability in conflictive regions, reforms to enhance transparency of the national budget process, assistance to the Offices of the Inspector General, Prosecutor General, and Attorney General to prosecute corruption in regions emerging from conflict, implementation of accountability principles in the justice sector, and assistance to increase citizen oversight of local and national government processes related to human rights, justice, and political competition.

Bilateral Investment Agreements

¶65. Colombia has stand-alone bilateral investment treaties (BITs) in force with Peru and Spain. Colombia also has investment chapters in many of its free trade agreements, which are either in force (Mexico) or likely to come on-line in the future (the U.S.,

Guatemala, Honduras, El Salvador, Chile, Canada Switzerland, Norway, Iceland and Liechtenstein). Colombia signed a BIT with China in November, 2008 and is negotiating BITs with several Asian and European countries.

OPIC and Other Investment Insurance Programs

¶66. The Overseas Private Investment Corporation (OPIC) is an agency of the U.S. government that helps U.S. businesses invest overseas, fosters economic development in new and emerging markets, complements the private sector in managing risks associated with FDI, and supports U.S. foreign policy.

¶67. OPIC made its first investment in Colombia in 1985 and has since made investments totaling USD 2 billion in a variety of sectors. OPIC signed a Memorandum of Understanding with ProExport Colombia in September 2007 in order to establish an outreach program targeting small business investors in Colombia. Since the signing, OPIC has established a working relationship with ProExport, training staff and members on OPIC programs. In addition to infrastructure-oriented projects, OPIC seeks to support investment in Colombia, particularly low and middle income housing development, access to credit for small and medium size businesses, and renewable energy.

¶68. In addition to offering finance and insurance, OPIC has several investment funds that are eligible to invest in Colombia. These funds target a wide range of sectors, including energy, banking, financial services, communications, transportation, consumer goods and housing. Additional information can be found at (www.opic.gov).

Labor

¶69. Colombia has abundant unskilled and semi-skilled labor availability for work throughout the country. It has equally abundant skilled and managerial level employees, in many cases bilingual.

¶70. Labor permits are not required in Colombia, except for under-aged workers. In order to work, minors between 14 and 17 years old must be authorized by a labor inspector from the Ministry of Social Protection, upon request by their parents. Minors are only authorized to work in non-dangerous occupations.

¶71. Pursuant to Colombian Labor Law, any group of 25 or more workers, regardless of whether they are employees of the same company or not, may constitute a labor union. Employees of companies with fewer than 25 employees may affiliate themselves with other labor unions. Over half of Colombia's labor force belongs to the informal sector. About ten percent of the country's formal labor force is unionized. The largest and most influential unions are composed mostly of public employees, particularly in the state-owned oil industry and the state-run education sector. The Constitution protects the right to constitute labor unions, and union members have a special legal protection that prevents them from being fired for forming unions. Some union officials are allowed to dedicate some or all of their working hours to union business. Strikes are recognized as legal instruments to obtain better working conditions. Strikes in sectors considered essential public services, such as the Central Bank and some Social Security-related activities, are illegal.

¶72. Foreign companies operating in Colombia must follow the same hiring rules as national companies, regardless of the origin of the employer and the place of execution of the contract.

¶73. Colombian Companies may hire foreign employees after certifying compliance with the legal national-foreign employee ratio (pursuant to Colombian Labor Law, in companies with more than ten employees, Colombian nationals must occupy at least 80 percent of all managerial level positions and 90 percent of non-managerial positions), which will allow the employee to obtain a Temporary Work Visa. Foreign employees have the same rights as Colombian employees.

¶74. Pursuant to Colombian Labor Law, trial periods may not exceed two months for indefinite term contracts and no more than 20 percent of the total term of fixed term contracts. During the trial period, an employee may be dismissed by the employer without the payment of the legal indemnification.

¶75. Labor contracts may be terminated without previous notice. The effects of termination vary depending on cause for termination and type of contract. A contract might be terminated with just cause by the employer in the case of an employee's violation of legal and contractual obligations or internal regulations. In any other event, the contract can be terminated without just cause, but the employer must pay legally specified indemnification.

¶76. Working hours are limited to 48 hours per week, distributed in a maximum of six days per week. With the proper authorization, granted by the Ministry of Social Protection, an employee may work up to 12 hours of overtime per week. Employees in management positions are not subject to such restriction.

Foreign-Trade Zones/Free Trade Zones

¶77. To attract foreign investment and promote the importation of capital goods, the Colombian government uses a number of drawback and duty deferral programs. One example of such programs is the "free trade zones (FTZ)" mechanism, which the Government of President Uribe has sought to turn into a magnet for investment and domestic job creation. In 2005, Colombia's Congress passed a comprehensive FTZ modernization law that opened investment to international companies, allowed one- company or stand-alone FTZs, and permitted the designation of pre-existing plants as FTZs.

¶78. Since 2005, the number of FTZs jumped from five to 40 in October 2008, with exports of approximately USD 1.5 billion per year in 2007 and more than 350 companies in operation. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation.

¶79. Companies within Free Trade Zones enjoy a series of benefits such as a preferential 15 percent corporate income tax and exemption from customs duties and value-added taxes on imported materials. In return for these and other incentives, every FTZ project must meet specific investment and job creation commitments within three years for new projects and five years for pre-existing investments. Requirements range from a minimum of USD 17 million in new investments and 500 jobs for agro-industrial projects, to USD 34.5 million in minimum new investment and 150 jobs created for manufacturing projects. Job creation requirements may be lowered by 15 positions for every additional USD 3 million invested, with a minimum requirement of 50 jobs created. Commitments since 2007 add up to some 140,000 expected new jobs and approximately USD 5.2 billion in new investments.

Foreign Direct Investment Statistics

¶80. The total stock of foreign investment reached USD 53 billion in June 2008. Average annual net FDI flows from 1994 to 2007 amounted to USD 3.8 billion, while total FDI in 2007 reached a record USD 9.4 billion.

¶81. By sector, the biggest recipients of FDI in 2007 were petroleum, manufacturing, finance and mining. The trend of strong flows into oil and minerals continued into the first semester of 2008, with expectations of FDI for the year reaching USD 9 billion. Nevertheless, slower global and domestic growth expected for 2009 have led to forecasts of reduced FDI inflows.

¶82. At the end of 2007, the United States was the single largest source of foreign investment both in terms of total stock of FDI (15.43 percent); and total FDI flows for the year (15.37 percent). Meanwhile, the European Union has also been a major source of FDI for Colombia, with strong flows from Spain and France in particular. FDI from Brazil, Panama, Mexico and Chile have continued to gain in importance over the last few years.

Web Resources

Andean Development Corp. (CAF) : www.caf.com &
www.comunidadandina.org
ANDI (National Industries Association): www.andi.com.co
ANIF (Financial Entities Association): www.anif.org
Banco de la Republica (Central Bank): www.banrep.gov.co
Banking Association: www.asobancaria.com
Financial Superintendent: www.superfinanciera.gov.co
Bogot Chamber of Commerce: www.ccb.org.co
Proexport (Foreign Investment Promoter): www.proexport.gov.co
Colombian Customs and Income Tax Offices: www.dian.gov.co
Colombian Government : www.gobiernoenlinea.gov.co
CREG (Energy and Gas Regulatory Commission): www.creg.gov.co
DANE (Statistics Bureau) : www.dane.gov.co
EXIMBANK : www.exim.gov
FENALCO (Merchants Association): www.fenalco.com.co
Inter American Development Bank: www.iadb.org
National Planning Department: www.dnp.gov.co
OPIC: www.opic.gov
Presidency of the Republic web.presidencia.gov.co
State Comptroller:
<http://www.contraloriagen.gov.co/html/home/home.asp>
State Contracting Information System/SICE:
<http://www.sice-cgr.gov.co/>
Superintendence of Corporations: www.supersociedades.gov.co
Superintendence of Industry and Commerce: www.sic.gov.co
World Bank: www.worldbank.org

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